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BRITISH COLUMBIA SYSTEMS CORPORATION

Annual Report
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Corporate Profile

BC Systems is a provincial Crown corporation providing information technology services for the public sector. Created in 1977 with the enactment of the *System Act*, BC Systems offers data processing, professional services, data and voice communications and information access services. This service delivery role is coupled with the mandate to coordinate the development of government information management policies in conjunction with the Deputy Ministers' Steering Committee.

Also accountable to the Cabinet Committee on Crown Corporations, BC Systems supports the committee's goal to have Crown corporations become greater generators of wealth and economic development for the provincial economy.

BUSINESS MISSION

BC Systems' mission is to provide information technology solutions that assist public sector organizations in B.C. to maintain and fundamentally improve the quality of service to the public.

The corporation does this by developing an understanding and appreciation of its customers' business needs; then responding to these needs by providing services that build on and integrate the expertise of the corporation's people, and its information processing, telecommunications and data storage capabilities.

SERVICES

BC Systems provides: data processing, telecommunications, professional services and information access. Solutions provided to customers generally involve some form of integration of these basic services.

DATA PROCESSING BC Systems' data processing services provide a highly reliable,

low risk source of computing power and data management. Available in three varieties (IBM-MVS, Digital VAX and IBM-VM), data processing services are provided on shared or dedicated machines. BC Systems' data centre is a world-class operation supporting over 60,000 users.

TELECOMMUNICATIONS BC Systems operates private, shared voice and data communications networks to serve the provincial government. The voice network, called PROVNET, supports approximately 42,000 users. The data networks, called SNA and DNET, link more than 34,000 terminal devices in over 100 cities and towns throughout British Columbia to approximately 100 computers.

PROFESSIONAL SERVICES BC Systems has over 400 skilled professionals providing a wide range of information technology management and support services. Services include: seconded staffing, application management, facilities management, technology management, data base management, information technology planning and expert teams in multi-media, electronic data interchange, executive information systems and system recovery planning. These professionals, along with the skilled individuals supporting the corporation's other services, gives BC Systems one of the largest pools of systems professionals in Canada.

INFORMATION ACCESS BC Systems' information access services provide private and public sector users direct electronic access to government information. With examples such as BC OnLine, government is being brought closer to the people, and the general efficiency of the provincial economy is being improved.

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Letter of Transmittal



Victoria, British Columbia
June 29, 1992

To His Honour David C. Lam
Lieutenant-Governor of the Province of British Columbia

Dear Lieutenant-Governor:

I have the honour to submit herewith the annual report of the British Columbia Systems Corporation for the fiscal year ended March 31, 1992, including the financial statements, duly certified by auditors for the corporation, all in accordance with the *System Act*.

Respectfully submitted,

Honourable Lois Boone
Minister Responsible for
British Columbia Systems Corporation

Chair's Message

BOARD OF DIRECTORS

G.J. HOOK
Victoria, B.C.
CHAIR OF THE BOARD

HON. L.R. BOONE
Minister of Government Services
Province of British Columbia
Victoria, B.C.
DIRECTOR & MINISTER
RESPONSIBLE

D.M. BUCHANAN
Penticton, B.C.
DIRECTOR

W.E. EVANS
President & Chief Executive Officer
BC Systems
Victoria, B.C.
DIRECTOR

M.J. FALKINS
Falkins McIntosh Reed Stenhouse
Victoria, B.C.
DIRECTOR & CHAIR,
COMPENSATION COMMITTEE

R.J. GAYTON
President & Chief Operating Officer
Sierra-Misco Environment Inc.
Vancouver, B.C.
DIRECTOR & CHAIR, AUDIT
COMMITTEE

N.E. GLASSEL
Senior Vice President
BC Systems
SECRETARY TO THE BOARD

The mandate of BC Systems has emphasized serving our customers' data processing and telecommunications needs. This continues to be a cornerstone to all our policies and strategic developments.

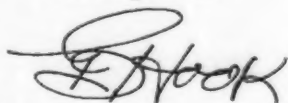
During 1991/92, government established a Deputy Ministers' Steering Committee on information management. BC Systems is pleased to assist the Committee to provide coordination in the development of government information management policies.

A Cabinet Committee on Crown Corporations was also established by Government. BC Systems plans to make a significant contribution in supporting the Government's objective to have Crown corporations become greater generators of wealth and economic development for the province.

Again in 1991/92, the corporation operated on a sound financial basis with an operating profit of \$17.5 million resulting in a \$5.0 million dividend to government. This sound financial base is critical, given that the corporation's investment in the province's technology infrastructure requires increasing levels of capital.

Our customers continue to look to networks and systems to assist them in meeting the increasing service demands of British Columbians. For example, electronic access to B.C. Assessment Authority information and Rural Property Tax data bases was provided to solicitors, realtors and financial institutions during the year through the corporation's successful BC OnLine service.

Above all, the Board of Directors recognizes the contribution of our people who provide services to our customers. Without their skill and commitment, our ability to successfully meet these needs would not be possible.



Geoffrey J. Hook
Board Chair

President's Message

The following pages provide details on 1991/92 results achieved in relation to objectives published in last year's report. As you will see, 1991/92 was a highly successful year, both in terms of overall customer satisfaction and financial performance.

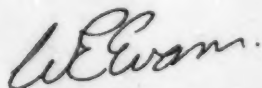
It was a year of substantial growth in business volumes. Most of the corporation's services saw growth rates well in excess of 20%. As a result, 1991/92 was a year of substantial reinvestment in the data processing and telecommunication infrastructure. In addition, many new services were introduced to keep pace with customer requirements and technological change. It is the corporation's strong financial performance which makes it possible to invest in the further development of the technical infrastructure and services required to meet changing business needs.

1991/92 was also a year of reassessment and planning for the future, as the corporation moved to embrace new technologies and new ways of serving its government customers. Much of this focused on how the corporation can best support the advent of client/server computing while at the same time achieve appropriate levels of coordination and sharing across government. It also focused on how best to integrate these technologies with our wide area networks and mainframe computing and data storage environments.

In 1991/92, BC Systems was called upon to work closely with senior management in government to develop a more coordinated approach to managing information resources government-wide. In this regard, a steering committee structure was put in place, and a project completed to develop an Information Management Framework for government. The Information Management Framework will be published in early 1992/93.

Consistent with the mandate of the Cabinet Committee on Crown Corporations, BC Systems explored ways in which it could become a more proactive catalyst for economic and social development in British Columbia. Several of the initiatives included in the 1992/93 Major Objectives section of this report are of this nature. In addition, the corporation plans to review its mandate in 1992/93 to achieve a better fit with government's broad policy goals.

On behalf of the Executive, I want to thank BC Systems' employees for the outstanding job they have done in responding to the diverse needs of our customers. Once again, they have demonstrated the very highest standard of professional performance.



W.E. Evans
President and Chief Executive Officer

EXECUTIVE COMMITTEE

W.E. EVANS
*President and
Chief Executive Officer*

D.W. AUSMAN
*Executive Director
Corporate Development*

G.F. GABEL
*Vice President
Telecommunications Services*

N.E. GLASSEL
*Senior Vice President
Customer Services*

DR. R.N. GREER
*Vice President
Professional Services*

J.G. HAYES
*Vice President
Finance and Administration*

C.D. SLADE
*Senior Vice President
Data Processing Services*

Operations

1991/92 Results

In this section, 1991/92 operating results are shown in relation to major objectives, as stated in the corporation's 1990/91 Annual Report.

CUSTOMER SATISFACTION

Objectives ♦ ♦ ♦

- Set standard target ratings, carry out surveys and implement improvement programs with respect to the corporation's services.
- Develop and implement models to ensure we

are delivering value for money.

- Measure, report and monitor customer service in telecommunications order processing and problem management.
- Define, develop and implement a strategy for our suite of seconded and mission-based professional services.
- Expand BC OnLine services for the customers of government.

Results ♦ ♦ ♦

■ CUSTOMER SURVEYS

Two surveys were done in 1991/92. Rating targets set were generally exceeded.



Through the use of BC OnLine, an electronic access information system, land surveyors such as Ian Hughes of Hughes & Taylor, have saved time and money in obtaining government held information such as land titles. More than 55% of the Province's surveyors are customers of the BC OnLine service.

Operations

A comparison of results from the executive level responses with the previous year's survey shows rating improvements as follows (on a 5 point scale):

- > overall service quality went from 3.9 to 4.3,
- > overall service value from 3.3 to 3.7,
- > friendly, caring service from 3.9 to 4.1.

Results dealing with individual services were also compared. These comparisons were generally favourable and where any specific problems were identified, review meetings were held with customers. We will continue to run surveys and compare results on a regular basis.

■ COST COMPARISON MODELS

Cost comparison studies done in 1990/91 showed BC Systems' prices for processing and network services compared favorably with other alternatives.

During 1991/92, work began on developing computer-based models which would allow comparisons to be done on a regular basis rather than as individual special projects. The first model will address comparisons of our large scale MVS processing service with other alternatives. Once completed, similar models will be developed for our VAX and VM services.

■ TELECOMMUNICATION ORDER PROCESSING AND PROBLEM MANAGEMENT

Monthly reports are being produced on the time that it takes to process an order or resolve a problem, achievement of order due dates, and responsiveness on the data networks. Customer feedback on satisfaction

with service orders and alert resolution is also being obtained. These results are graphed and call backs to dissatisfied customers made.

Our customers appreciate our interest and have shown an increase in satisfaction. To improve responsiveness to minor problems, some network management functions have been given to customers. We have also decreased the time we take to process an order, and our customers

have increased the lead time on their requests.

■ PROFESSIONAL SERVICES

Early in 1991 the corporation published its strategic plan including eight strategies for guiding the growth and diversification of professional services. Operating within these strategies over the past year, we:

Vision

1 9 9 7

"We provide information technology solutions which assist public sector organizations in B.C. to maintain and fundamentally improve the quality of service to the public."

Operations

- sustained our commitment to secondment services, increasing seconded staff by 6% in response to customer demand,
- expanded our mission-based services from 18 to 22% of our professional services revenue,
- initiated and successfully launched expert teams in Executive Information Systems, Information System Recovery Services, and Multimedia Applications Support,
- researched and developed, ready for implementation in 1992/93, a new

Electronic Data Interchange service offering,

- consolidated our regional support initiative, establishing regional support managers in Kamloops and Prince George,
- developed and implemented a skills planning and inventory system for our employees providing professional services, to ensure their capabilities are continuously developed to meet changing customer needs.



As part of a government-wide drive to improve service to British Columbians, BC Systems has established information technology support services for regional government offices. The support service maintains the availability of government systems and electronic information needed to serve the public. Usually the services are sub-contracted from local businesses. In Fort St. John, McElhanney & Associates provides end user support to Ministry of Environment staff, shown here.

Operations

■ BC OnLine EXPANSION

During the past year, both data bases and services to BC OnLine customers were significantly enhanced with the addition of:

- Property Purchase Tax Bulletins, the Rural Property Tax system, and BC Assessment Authority information,
- pilot projects to add mineral titles and liquor distribution sales information data bases early in 1992/93,
- new services such as an automatic deposit account system, electronic funds transfer option, and the Motor Vehicle Branch deposit account service.

Overall there was a growth of 24% in the number of BC OnLine users and an overall business volume growth of 74%.

■ OTHER

- Virtually all employees completed training on creating satisfied customers.
- A product management framework and an on-line marketing information system were developed and implemented for use by our customer support staff.
- Pricing for BC Systems services was reduced, on average, by 6% in 1991/92.

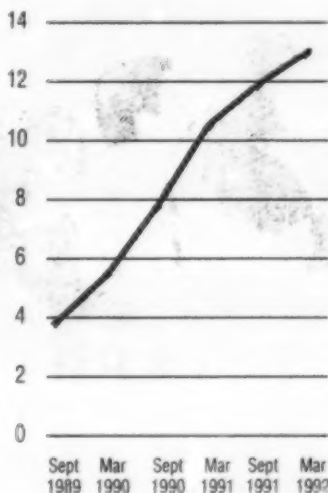
TECHNOLOGY

Objectives ♦ ♦ ♦

- Upgrade and replace equipment in a cost-effective manner.
- Automate data centre operations.

- Enhance the telecommunications network infrastructure.
- Introduce new services to enhance interconnectivity.
- Develop long range strategies for:
 - Office Systems
 - Professional Services
 - Electronic Data Interchange (EDI)
 - Computer Assisted Systems Engineering (CASE)
- Continue development of intelligent workstation support and electronic image service offerings.
- Investigate developments in the area of open systems.

MORE BC OnLine USERS
(in thousands)



Results ♦ ♦ ♦

■ EQUIPMENT ENHANCEMENTS

In response to continuing customer demand for mainframe processing, IBM computer capacity was doubled; VAX computer capacity increased 40%; VAX disk storage increased 100%; and IBM-compatible disk storage increased 40%.

Operations

In telecommunications, four Provnet voice switches were replaced or upgraded plus numerous, previously leased, Private Branch Exchanges (PBXs) were purchased. Data switches for the DNET and SNA data networks were added and/or upgraded to support higher bandwidths and local area network (LAN) attachments. Wherever possible, replaced equipment was used elsewhere in the network. Hardware was also acquired to respond to customer orders to connect to the Metropolitan Area Network (MAN).

- **DATA CENTRE AUTOMATION**
Automation of our data centre allows us to manage the increasing volumes and complexity, yet maintain staffing levels and problem-free continual operations.

Implementation of this multi-year initiative continued successfully throughout 1991/92 culminating in the implementation of a robotic system for tape mounts.

- **TELECOMMUNICATIONS NETWORK**
To accommodate increased volumes and improved response times, additional higher capacity bandwidth was acquired for the data networks. Integration of voice and data network transmission facilities was planned and will proceed next year. Less expensive, volume discounted services were acquired to control costs.

■ INTERCONNECTIVITY

To enable customers to connect with one another and share information, new software was implemented in the mainframe environment enabling electronic mail and files to be sent world-wide. Data base software that can be used in different computing environments was also introduced.

In the telecommunications area, data network services were introduced to connect our wide area networks to customers' local area networks. Gateways to other networks were also established, such as Internet, BCNet and IBM's Information Network.

■ LONG RANGE STRATEGIES *Office Systems*

A long range strategy for our office systems offerings such as electronic mail, word processing, graphics, spreadsheets, etc., was developed along with a specific action plan for changes in services. Significant customer input and support was received for the recommendations. As well as continuing our full function services, revisions to our service offerings will include less functional services at lower costs, more flexibility and more use of open standards to facilitate interconnection.

Vision

1 9 9 7

"We assist customers to achieve cost savings, efficiency in delivering government services and enhanced productivity."

Operations

Professional Services

A plan to provide a framework that will evolve our professional services offerings into 1995 is underway and will be finalized early in 1992/93. Extensive customer and employee input will continue to contribute to its development and implementation.

Electronic Data Interchange (EDI)

Electronic Data Interchange allows business transactions to be completed electronically rather than by traditional paper processing techniques. It can significantly improve the

speed and accuracy of transactions such as requisitioning, order processing, etc.

In 1991/92 an EDI strategy along with specific service plans were developed. These include providing computer and network based software along with selected professional services to assist customers in implementing EDI solutions. A prototype with the Liquor Distribution Branch continued to progress successfully at year end.



With the use of Electronic Data Interchange technology and an expert team supplied by BC Systems, the Liquor Distribution Branch will significantly reduce costs in its warehousing operation through lower inventories. An additional benefit, to both the LDB and its trading partners, will be reduced administrative costs and increased accuracy. Here, product from the LDB's first electronic trading partner, Gilbey Canada Inc., is received after being ordered through electronic data interchange.

Operations

Computer Assisted Systems Engineering (CASE)

Computer Assisted Systems Engineering is software that helps to create, maintain and manage systems. It has the potential to improve the quality of software, and to reduce development time and program maintenance.

A project to define a long-term strategy for BC Systems' CASE related service offerings was launched. As part of the project, an education session was held to bring those interested up to date on the current industry status of CASE. The session was attended by some 250 customers and private sector vendors. This project, being carried out by a team of employees and customers, is scheduled for completion in the fall of 1992.

INTELLIGENT WORKSTATION SUPPORT

Recognizing our customers' increasing use of intelligent workstations (personal computers), four internal pilots were established to define the kind of services we could provide to customers. At year-end, prototype agreements to support workstations at customer sites were being developed with three of our customers.

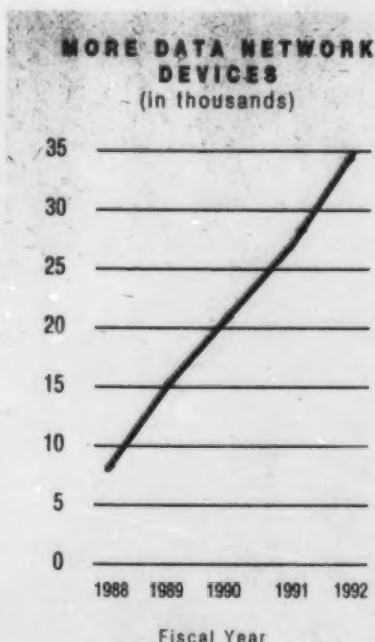
ELECTRONIC IMAGING

Imaging technology can improve efficiency and effectiveness through the electronic storage of documents versus traditional paper files. Its benefits are easier storage, access, and retrieval of information.

In 1992/93, we expect the first imaging application to be implemented in production using BC Systems' imaging service.

OPEN SYSTEMS STANDARDS
In an open system environment, computer applications and information can be moved among different kinds of computing equipment without having to change program code, translate data or retrain personnel. Buyers have the option of using different suppliers and the resulting competition reduces operating costs, while conversion costs are minimized.

A strategic project to address open systems standards was established during the year. With input and direction from our customers, a bulletin was issued on our plans in this area, specifically Unix operating systems. In addition, another open standard, TCP/IP (Transmission Control Protocol/Internet Protocol), was incorporated into our service offerings.



Operations

OTHER

- > A Telecommunications Business and Technology Strategic Plan was developed to address future telecommunications services required by government, and to establish strategic directions for the telecommunications infrastructure and service delivery support functions.
- > In partnership with several suppliers who carry out maintenance and service functions for the voice network, innovative order processing procedures have been developed. These will improve the responsiveness for moves, additions and changes to selected locations. These new procedures are being piloted with the expectation of making them widely available during the remainder of 1992.
- > Work began on upgrading the data centre's Uninterruptible Power Supply system to improve its reliability and more than double its present capacity.
- > Disaster recovery rehearsals, to test recovery capability, were conducted at remote sites for all three processing environments during the year.
- > B.C. was chosen by Digital Equipment Corporation as the recipient of a major

equipment donation towards the establishment of a research computing centre. The computing centre, housed at BC Systems' headquarters, will support B.C.'s scientific research community, attract new research organizations, build the province's research reputation and provide economic spin-offs.

Vision

1 9 9 7

We are a major contributor to the economic and social development of British Columbia.

PEOPLE

Objectives ♦ ♦ ♦

- Survey employees about their working environment
- Develop a Human Resources Strategic Plan
- Establish two outreach positions

Results ♦ ♦ ♦

WORKING ENVIRONMENT

A satisfying work environment is a stated corporate value at BC Systems. We annually measure our progress through an employee attitude survey. In 1991/92, employees presented a positive picture of their working environment at BC Systems. On a 5 point scale (5 being the highest), performance was rated as follows:

	1990/91	1991/92
Teamwork	3.3	3.5
Empowerment	3.5	3.6
Integrity	3.8	3.8
Satisfying Work Environment	3.8	3.8

Operations

■ HUMAN RESOURCE STRATEGIC PLAN

With the objective of retaining and recruiting the skilled people BC Systems requires, development of a Human Resource Strategic Plan was initiated. At year-end, a draft plan was receiving input from approximately one-third of our employees. The plan will help to retain BC Systems' position as a preferred employer in the information technology industry.

■ EMPLOYMENT EQUITY - OUTREACH POSITIONS

To provide access to employment for people

with disabilities, the corporation hired two physically disabled people into outreach positions at a professional technical level. Deemed a success, the two employees have contributed to the business objectives of the corporation while gaining valuable work experience.

■ OTHER

To assist in retaining and attracting skilled personnel now and in the future, a 40-child on-site day-care centre was opened in February, 1992. The facility is the result of a



At a time when skilled specialists are in short supply, accessible quality day-care will help BC Systems retain and attract qualified employees. The Hon. Lois Boone, pictured here with the three partner CEO's Steve Hutchings of the Purchasing Commission, Ted Evans of BC Systems and Dennis Truss of BC Buildings, officially opened the facility at 4001 Seymour Place on February 14, 1992.

Operations

partnership between BC Systems, BC Buildings and the BC Purchasing Commission. It is operated by a non-profit society made up of employees from the three organizations.

- > At year-end, the debt to equity ratio was 1.3 to 1, more than achieving the objective set.
- > The return on net fixed assets was 22%, exceeding the target of 14%.
- > Long and short-term debt were maintained within established borrowing limits.

BUSINESS

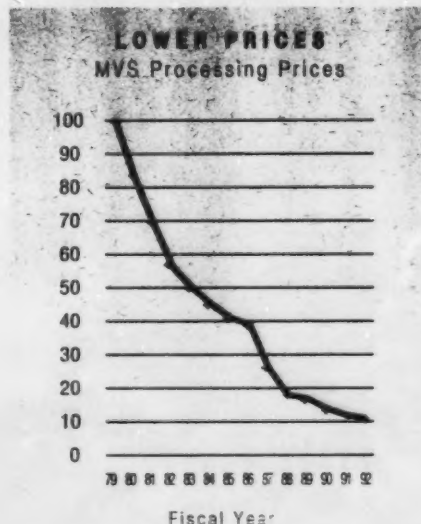
Objectives ♦ ♦ ♦

- Achieve an operating profit of \$13 million and provide a dividend to government.
- Maintain the debt to equity ratio below 2 to 1.
- Achieve a return on net fixed assets of 14%.
- Maintain long and short-term debt within established borrowing limits.

Results ♦ ♦ ♦

■ FINANCIAL

- > An operating profit of \$17.5 million was achieved, recording the seventh straight profitable year for the corporation.
- > A \$5.0 million dividend for 1991/92 was declared, bringing the total dividends paid to the Provincial Government since 1989/90 to \$10.8 million.



This chart reflects the estimated average impact of our price changes on per unit computing costs from year to year. The data starts with the 1978-79 fiscal year as the base figure of 100. Each year the number is reduced by the overall average rate decrease for that year. The figures are also adjusted for inflation using the official federal inflation figure.

■ STRATEGIC PLANNING

A change management process to implement the corporate Strategic Plan was put in place and 15 change projects were initiated, several of which have already been completed.

■ ENVIRONMENTAL RESPONSIBILITY

In July 1991, BC Systems adopted a program to support its environmental responsibility business principle. The program includes paper reduction, reuse and recycling; analysing our business practices in terms of their environmental impact; alternative transportation to decrease the number of commuter vehicles; and

improving environmental awareness. Respect for the environment has become a way of doing business at BC Systems.

Operations

1992/93 Major Objectives

POLICY

- Review the corporation's mandate in the context of the mandate and goals of the Cabinet Committee on Crown Corporations.
- Implement the Crown Corporation Secretariat's capital program evaluation framework.
- Working in conjunction with the Deputy Ministers' Steering Committee on Information Management, develop and publish:
 - A "Strategic Framework for Corporate Information Management in the Government of British Columbia",
 - An "Information Technology Architecture" for the Government of British Columbia,
 - An "Information Resource Management Policy" for the Government of British Columbia, including specific policies on information security and disaster recovery planning.

CUSTOMER SUPPORT

- Meet customer demand for our network, data processing, professional and information access services while maintaining a high level of customer satisfaction.

- Further develop and incorporate Customer Business Support Teams into the way we do business with our customers. Specifically, implement six support teams, and hold six joint planning sessions with customers.

- Implement a tailored report card process, in addition to customer surveys, to measure customer satisfaction of our products and services.
- Improve support from the Customer Service Centre. Specifically, reduce the incoming call wait time by 20%, and implement problem escalation procedures specific to our customers.
- Establish an overall measure of performance for telecommunication network services.

Vision

1 9 9 7

*We provide good value for tax dollars
through enhanced government
services to the public.*

SERVICES

Technical

- Develop and begin implementation of a new business model to integrate and expand BC Systems' services in a way that better fits the business needs of customers.
- Develop a strategy for BC Systems' Intelligent Workstation/Local Area Network support services, and develop and implement the specified services.

Operations

- Develop and implement an Enterprise Information Architecture (EIA) which includes a strategy to incorporate open standards into BC Systems service offerings, an assessment of the impact of EIA on our current technology infrastructure and implementation of open standards as appropriate.

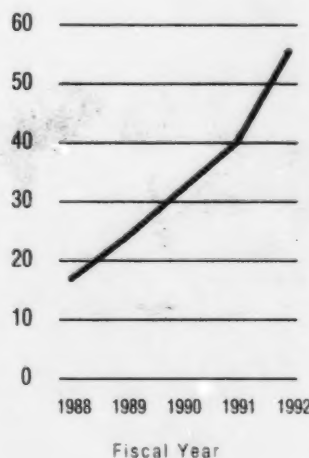
- Improve government-wide electronic mail exchange.
- Implement image processing as a production service.
- Pilot a video conferencing service, working with public and private sector partners to assess the technical and administrative aspects while determining customer acceptance.

Professional

- Stabilize mission based service offerings initiated during 1991/92, in accordance with their respective three-year business plans (this includes integrated service teams for Regional Support, Electronic Data Interchange, Information Systems Recovery Planning, Multi-Media Support, Executive Information Systems, and Geographic Information Systems).

- Complete the definition of, and begin implementing, corporate-wide professional services strategies for integrated services and industry-focused systems integration teams.
- Maintain our skills planning and inventory process for all employees providing professional services.

**MORE DATA PROCESSING
USERS**
(in thousands)



Information Access

- Complete the development and implementation of an architecture and systems platform to expand the current reach and range of BC OnLine.
- Develop strategies and service offerings to support public sector customers in complying with the Freedom of Information legislation.

Industry Support

- Develop a vision and begin implementing a strategy for services BC Systems could offer to help health care organizations improve their services to the public.
- Implement a research computing facility to support B.C.'s scientific and research community.

Operations

- Further expand BC OnLine's products and services for existing and new market segments, achieving a business volume growth of 40%.

INFRASTRUCTURE

- Commence implementing a high capacity, integrated voice/data backbone network.
- Investigate and develop a plan to replace the two data networks with a new, open, multi-protocol data network.



Focussing on the effective electronic transfer of information throughout the health care community, BC Systems in support of the Greater Victoria Hospital Society (GVHS) has been working on a pilot project to transmit information between medical labs, clinics, physicians, the GVHS, B.C. Cancer Control Agency and the Capital Regional District. Here, Island Medical Labs in Victoria processes lab tests before electronically sending the results to the patient's physician.

Operations

- Implement an improved dial access service for the growing number of casual users connecting to various information sources.
- Investigate ways to control the costs of local access lines for both voice and data.
- Develop the central processing complex as the primary government data repository.
- Design MVS services that support open systems, client/server environments and non-stop operation.
- Improve the cooperative processing and client/server capabilities of each of our foundation platforms (MVS, VM, VAX).
- Implement a disaster recovery rehearsal service for customers to practice disaster recovery of their applications.

RESOURCES

People

- Complete and begin implementing the Human Resources Strategic Plan.

Facilities

- Determine if BC Systems is to proceed with an initiative to develop a second data centre at a separate location.

- Fully implement automated tape libraries for all processing services.

Information

- Develop requirements to comply with the Freedom of Information legislation.

- Implement the Corporate Information Management Plan, including the appointment of a Chief Information Officer.

- Further develop and maintain models for comparing the cost of our service offerings with alternatives.

Financial

- Develop a new method for pricing the corporation's services.
- Achieve an operating profit sufficient to finance required investments in infrastructure and to produce a satisfactory dividend to government; the profit target is \$6 million.
- Maintain the debt to equity ratio below 2 to 1.

Vision

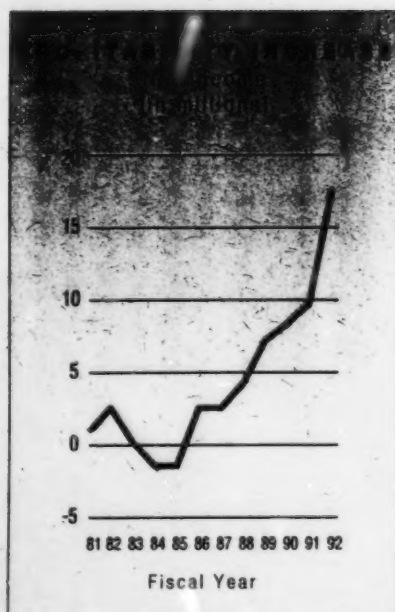
1 9 9 7

"For employees we are a preferred employer. We provide a rewarding, stimulating and equitable work environment offering excellent professional development opportunities in a climate characterized by managerial excellence and professional challenge."

- Maintain long and short-term debt within established borrowing limits.
- Reduce administrative overhead costs, as a percentage of revenue, compared to 1991/92.

Auditors' Report

The Honourable Lois Boone
Minister of Government Services
Province of British Columbia



We have audited the balance sheet of British Columbia Systems Corporation as at March 31, 1992 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Reat Marwick Thomas

Chartered Accountants

Victoria, Canada
May 28, 1992

Financial Statements

BRITISH COLUMBIA SYSTEMS CORPORATION

BALANCE SHEET

(expressed in thousands)

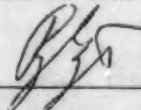
	March 31	
	1992	1991
ASSETS		
CURRENT ASSETS		
Cash and short-term investments	\$ 16,291	\$ 3,557
Accounts receivable	11,237	8,537
Prepaid expenses	2,113	1,303
	<u>29,641</u>	<u>13,397</u>
FIXED ASSETS (note 2)		
Land	4,600	4,600
Building	30,188	29,072
Computer, telecommunications and ancillary equipment	113,732	98,445
Furniture and fixtures	2,997	2,289
Leasehold improvements	272	272
	<u>151,789</u>	<u>134,678</u>
Accumulated amortization	63,034	71,677
	<u>88,755</u>	<u>63,001</u>
OTHER ASSETS		
Deferred bond discount and issue costs	57	17
	<u>\$ 118,453</u>	<u>\$ 76,415</u>
LIABILITIES AND RETAINED EARNINGS		
CURRENT LIABILITIES		
Note payable, Province of British Columbia	\$ -	\$ 1,500
Accounts payable and accrued liabilities	22,408	16,981
Deferred revenue	6,868	3,046
Dividends payable	5,000	-
Current portion of long-term debt (note 4)		
Lease capitalization	6,812	-
Other	885	929
Contractual liability for computer equipment	-	3,366
	<u>41,973</u>	<u>25,822</u>
LONG-TERM DEBT (note 4)		
Lease capitalization	15,014	-
Other	29,653	31,280
	<u>44,667</u>	<u>31,280</u>
RETAINED EARNINGS (note 6)	<u>31,813</u>	<u>19,313</u>
	<u>\$ 118,453</u>	<u>\$ 76,415</u>

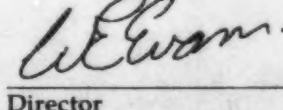
Commitments (note 5)

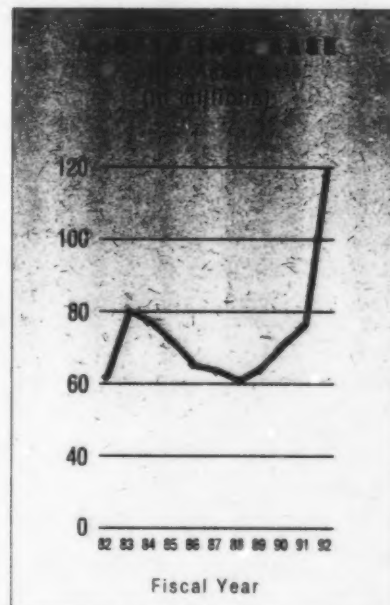
Contingency (note 8)

See accompanying notes to financial statements.

APPROVED BY THE BOARD:

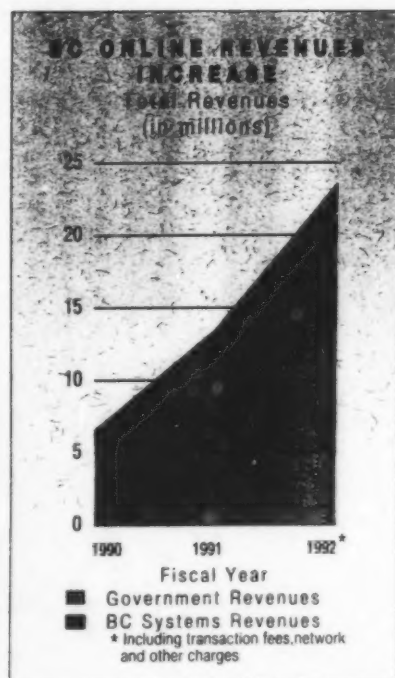
Director 

Director 



Financial Statements

BRITISH COLUMBIA SYSTEMS CORPORATION STATEMENT OF INCOME AND RETAINED EARNINGS (expressed in thousands)



	Year ended March 31	
	1992	1991
Revenue (note 9)		
Telecommunications	\$ 74,617	\$ 67,653
Processing	57,375	52,076
Labour	34,085	30,066
Interest and other	1,983	1,303
	<u>168,060</u>	<u>151,098</u>
Expenses		
Employee	53,414	43,723
Facilities management fees	4,964	4,128
Administrative and general	9,390	7,090
Equipment rental and maintenance	56,163	58,729
Amortization	24,987	25,423
Loss on disposal of fixed assets	224	1,419
Interest (note 4)	918	967
	<u>150,060</u>	<u>141,479</u>
Income before net building operating costs and contribution from the Province of British Columbia	18,000	9,619
Net building operating costs	(4,300)	(3,694)
Contribution from the Province of British Columbia	<u>3,800</u>	<u>3,800</u>
NET INCOME (note 6)	17,500	9,725
Retained earnings, beginning of year	19,313	15,381
Dividends	<u>(5,000)</u>	<u>(5,793)</u>
Retained earnings, end of year	<u>\$ 31,813</u>	<u>\$ 19,313</u>
Research equipment donation (note 10)		
See accompanying notes to financial statements.		

Financial Statements

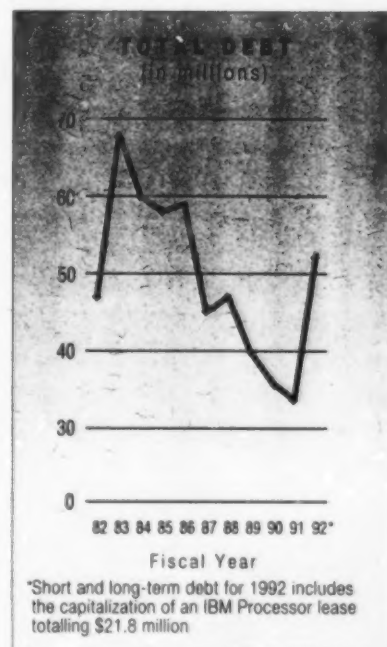
BRITISH COLUMBIA SYSTEMS CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

(expressed in thousands)

	Year ended March 31	
	1992	1991
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Net income	\$ 17,500	\$ 9,725
Items not involving cash		
Amortization	25,764	26,170
Deferred bond discount and issue costs	(40)	44
Loss on disposal of fixed assets	674	1,419
Change in non-cash operating working capital	10,737	2,859
	<u>54,635</u>	<u>40,217</u>
FINANCING		
Additions to long-term debt	39,416	-
Long-term debt reductions	(19,262)	(2,054)
Short-term borrowings, net of repayments	(1,500)	(489)
Change in contractual liability for computer equipment	(3,366)	2,186
	<u>15,288</u>	<u>(357)</u>
INVESTMENTS		
Additions to fixed assets	(66,673)	(42,679)
Proceeds from disposal of fixed assets	14,484	11,438
	<u>(52,189)</u>	<u>(31,241)</u>
Dividends	(5,000)	(5,793)
INCREASE IN CASH	<u>12,734</u>	<u>2,826</u>
Cash and short-term investments, beginning of year	<u>3,557</u>	<u>731</u>
CASH AND SHORT-TERM INVESTMENTS, end of year	<u>\$ 16,291</u>	<u>\$ 3,557</u>

See accompanying notes to financial statements.



Financial Statements

BRITISH COLUMBIA SYSTEMS CORPORATION NOTES TO FINANCIAL STATEMENTS

GENERAL

British Columbia Systems Corporation, established in 1977 as a Crown Corporation of the Province of British Columbia by the enactment of the *System Act*, has a mandate to advance the effective and efficient use of information systems in the British Columbia public sector. As a service organization within government, British Columbia Systems Corporation provides shared computer processing, data and voice communication, information access and selected professional services on a competitive basis. In 1991/92, the Corporation received 94% of its revenues from Provincial Government Ministries, with the balance from other government entities.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement presentation

As prescribed by Section 9(6) of the *System Act*, the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles.

(b) Accrual accounting

The accrual method of accounting is used in the preparation of these financial statements. Accordingly, revenues are recorded in the period they are earned and expenses are recorded in the period they are incurred.

(c) Fixed assets

The Corporation leases some of its computer equipment. Certain of these leases, however, transfer the benefits and risks incident to ownership to the Corporation. In such cases, as more fully described in notes 2 and 4, the leases have been capitalized.

Fixed assets are recorded at cost with the exception of the land, building and building equipment, which are recorded at appraised value plus subsequent additions at cost. The appraisal was prepared on January 18, 1989 and was based on a combination of the income capitalization and the cost summation methods. The appraisal resulted in a reduction in the carrying value of the related assets and in net income for that year.

Fixed assets are amortized over their estimated useful lives as follows:

Building	Over thirty years on a straight-line basis
Building equipment	Over ten years on a straight-line basis
Computer processors	Over terms up to four years on a straight-line basis
Other computer, telecommunications and ancillary equipment	Over terms up to five years on a straight-line basis
Furniture and fixtures	Over ten years on a straight-line basis
Leasehold improvements	Over terms of leases on a straight-line basis

In 1991/92, the estimated useful life of certain telecommunication devices, such as telephone sets and modems with a value of less than \$2,000 per unit, was reviewed and based on this review, the estimated useful life was changed from one to three years.

(d) Revenue recognition

Revenue from client use of corporate resources is recognized as the services are performed. Revenue from fixed price contracts is recognized over the terms of the respective contracts.

(e) Federal and provincial taxes

The Corporation is exempt from Corporate Income Taxes and is not subject to the Goods and Services Tax that came into effect January 1, 1991.

(f) Sinking funds

Payments made to sinking funds with respect to retirement provisions of the sinking fund bonds and debentures are netted against related debt until such time as the bonds or debentures are redeemed and cancelled. Interest earned on the sinking funds is treated as interest income with a corresponding increase in the sinking funds.

Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Amortization of other assets

Discount and issue costs relating to the Province of British Columbia bond Series BCSC-EC-9 are deferred and amortized on a straight-line basis over the term of the bond.

2. FIXED ASSETS

(a) During the year, the Corporation acquired fixed assets totalling \$66,673,000 (computer, telecommunications and ancillary equipment - \$63,484,000). The Corporation also disposed of fixed assets with a net book value of \$15,158,000 (computer, telecommunications and ancillary equipment - \$14,383,000) for proceeds of \$14,484,000.

(b) Included in fixed assets is computer equipment arising from the capitalization of certain leases in 1991/92 at a cost of \$33,976,000. The related accumulated amortization amounts to \$2,856,000.

3. BORROWING AUTHORITY

Pursuant to Section 8(6) of the *System Act*, the aggregate amount that may be advanced to, or borrowed by, the Corporation shall not exceed \$65,000,000.

4. LONG-TERM DEBT

(a) Lease capitalization

The minimum annual contractual obligations with respect to capitalized leases are as follows:

1992/93	\$ 8,077,000
1993/94	8,077,000
1994/95	7,935,000
	<u>24,089,000</u>

Less imputed interest at an average annual rate of 6.75%	<u>2,263,000</u>
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Capitalized lease obligations	21,826,000
Less current portion	<u>6,812,000</u>

Long-term portion	<u>\$ 15,014,000</u>
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(b) Other

	Interest rate	Maturity date	Amount
Canada Pension Plan debentures			
Series 1	15.69%	June 2001	\$ 14,007,000
Series 2	16.10%	March 2002	12,500,000
Province of British Columbia bond Series BCSC-EC-9	10.00%	June 1996	<u>14,000,000</u>
			40,507,000
Less sinking funds on deposit with the Minister of Finance for the Province of British Columbia (1990/91 - \$10,298,000)			<u>9,969,000</u>
Total debt			30,538,000
Less current portion			<u>885,000</u>
Long-term portion			<u>\$ 29,653,000</u>

Financial Statements

Mandatory sinking fund requirements in respect of the above debt for each of the next five years and thereafter are as follows:

	CPP S-1 & 2	Bond BCSC-EC-9	Total
1992/93	\$ 579,000	\$ 306,000	\$ 885,000
1993/94	579,000	306,000	885,000
1994/95	579,000	306,000	885,000
1995/96	579,000	306,000	885,000
1996/97	579,000	12,776,000	13,355,000
Thereafter	13,643,000	-	13,643,000
	<u>\$ 16,538,000</u>	<u>\$ 14,000,000</u>	<u>\$ 30,538,000</u>

The Province of British Columbia has guaranteed the payment of principal and interest on all long-term debt, with the exception of capitalized leases as in (a) above, issued by the Corporation.

(c) Interest expense

In 1991/92 the Corporation incurred interest expense totalling \$6,419,000 (1990/91 - \$6,248,000). Of these amounts, \$5,501,000 (1990/91 - \$5,281,000) was allocated to building costs and \$918,000 (1990/91 - \$967,000) to the financing of the current operations.

5. COMMITMENTS

The Corporation has entered into service contracts and facilities leases expiring on various dates to 2001. Future minimum payments under these contracts and leases for each of the next five years and thereafter are as follows:

1992/93	\$ 3,393,000
1993/94	2,840,000
1994/95	2,861,000
1995/96	1,862,000
1996/97	1,419,000
Thereafter	5,434,000
	<u>\$ 17,809,000</u>

6. NET INCOME

Pursuant to Section 8(5) of the *System Act*, the Lieutenant-Governor in Council may, each fiscal year, on the recommendation of the Minister of Finance, direct the transfer to the Provincial Government of all or part of the net income for the current year or for previous years to the extent not previously so transferred.

Financial Statements

7. EMPLOYEE BENEFIT PLANS

(a) Pension plan

The *Pension (Public Service) Act* applies to the Corporation and its officers and employees. Accordingly, the Corporation is required to pay into the Public Service Superannuation Fund amounts prescribed from time to time by Regulation.

(b) Long term disability plan

The Corporation contributes to a multi-employer Long Term Disability Plan established under the *Public Service Benefit Plan Act*. An actuarial valuation of the Plan as at March 31, 1990 indicates that the Plan had a funding deficiency. However, the Corporation's share of the Plan's actuarial assets (\$1,900,000) and actuarial liabilities (\$100,000) reflects a funding surplus at March 31, 1990. Accordingly, the Corporation will not be required to make contributions to the Plan until the next actuarial valuation which will be performed at March 31, 1993.

8. CONTINGENCY

In 1989/90, the Corporation entered into a facilities management contract with a private sector company for three years. Under the terms of the contract, the Corporation is obligated to cover certain employee termination costs should the contract not be renewed. The Corporation is unable to determine the extent of the liability, if any, which may result from this obligation. Should a liability arise in the future, the expense will be charged to income in the period in which the settlement occurs.

9. BC ONLINE SERVICE

In 1991/92, the Corporation commenced operation of the BC OnLine service which provides public access to a number of databases owned by the Provincial Government. In the course of providing this service the Corporation collected fees totalling \$22.3 million. Of this amount, \$19.3 million was remitted back to the Provincial Government with the balance of \$3.0 million retained by the Corporation for its services. The Corporation reports only \$3.0 million as revenue in the financial statements.

10. RESEARCH EQUIPMENT DONATION

During the year, Digital Equipment of Canada Limited donated computing hardware and software with an estimated fair market value of \$5.7 million to the Corporation for operation as a public research facility. Under the terms of the contract for the donated equipment, the Corporation must make the equipment available to researchers at a cost that cannot provide for any recovery of the fair market value of the equipment. Accordingly, after recognizing the donation of \$5.7 million, the Corporation wrote down the carrying value of the equipment to \$1 and recorded a loss on valuation of \$5.7 million. The donation and write-down of the equipment have been netted for financial statement purposes.

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BRITISH COLUMBIA SYSTEMS CORPORATION SEVEN YEAR STATISTICAL SUMMARY

	1992	1991	1990	1989	1988	1987	1986
	(at March 31)						
OPERATIONS							
Number of Data Network Devices	34,900	27,000	21,200	15,300	8,000	5,700	n/a
Number of BC OnLine Users	13,100	10,500	5,500	-	-	-	-
Number of Data Processing ID's	56,800	40,000	32,000	23,900	16,900	14,000	n/a
Number of Electronic Mail Users	31,700	25,800	14,000	n/a	4,000	2,000	400
Number of Telephone Network Locals	43,000	39,500	36,600	-	-	-	-
FINANCIAL PERFORMANCE (IN \$ MILLION)							
Total Revenue ⁽¹⁾	168.1	151.1	125.5	104.2	54.9	46.1	45.4
Net Income Before Extraordinary Items	17.5	9.7	8.4	7.2	3.8	2.7	2.7
Net Income Margin ⁽¹⁾	10%	6%	7%	7%	7%	6%	6%
Long-Term Debt ⁽²⁾	44.7	31.3	33.3	35.1	36.8	39.2	36.3
Short-Term Debt	7.7 ⁽³⁾	2.4	3.0	5.2	10.4	5.9	21.8
Retained Earnings	31.8	19.3	15.4	7	6.2	2.6	0
Debt to Equity	1.6:1	1.7:1	2.4:1	5.8:1	7.6:1	17.4:1	n/a
Dividend	5.0	5.8 ⁽⁴⁾	-	-	-	-	-
Mainframe Pricing Index ⁽⁵⁾	36%	38%	44%	52%	52%	74%	100%

(1) In 1989, the corporation changed the presentation of its financial statements to include total revenue for services purchased on behalf of its clients rather than service revenue net of expenses as shown in fiscal 1986 and 1987. Revenues for fiscal 1988 as shown were restated to conform with the new format.

(2) Long-term debt represents the amount of bonds, debentures plus capitalized lease incurred for a term of more than one year. The increase in long-term debt for fiscal 1992 represents the lease capitalization of the IBM processor totalling \$21.8 million.

(3) The corporation did not incur any short-term debt in 1992. The increase in short-term debt for 1992 represents the current portion transferred from long-term debt.

(4) Of this amount, \$3.3 million relates to accumulated surpluses up to 1989/90.

(5) No adjustment for inflation (1986 = 100)

Glossary of Terms

data: raw facts and figures

data base: a collection of related information organized for access by computer. Example: lists of doctors, social service recipients, employees, etc.

data processing: the handling, sorting, merging or computing of data into meaningful information. Example: health care claims or voters lists

hardware: the physical machinery and equipment used for computing. Example: mainframes (large computers), mini computers, personal computers, disk drives and printers

information access: direct electronic access to information stored in data bases. Example: access to land titles, companies, and personal property registries by private sector lawyers, realtors, etc. through BC OnLine

software: a set of instructions that tell the computer what to do. Example: word processing and spreadsheet programs

system security: hardware or software preventing data from being destroyed accidentally, or keeping unauthorized people from accessing, stealing, changing, or destroying information stored in data bases

telecommunications: communicating information (data, text, pictures, voice or video) through the transmission, reception and switching of signals over wire, fibre or satellite

uninterruptible power supply: a continuous supply of alternate power that maintains computer operations when normal electricity transmission fails